

Message Text

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ACTION NEA-11

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SUBJECT: TURKISH-LIBYAN ECONOMIC COOPERATION AGREEMENTS

REF: ANKARA 4638

1. WE ARE STRUCK BY THE LACK OF REALISM IN TURKISH-LIBYAN AGREEMENTS REPORTED REFTTEL, PARTICULARLY IN COMMERCIAL ARRANGEMENTS. WE NOTE THAT TURKEY'S EXPORTS TO LIBYA IN 1977 AMOUNTED TO ONLY \$13.6 MILLION WHEREAS ITS IMPORTS FROM LIBYA WERE \$276.4 MILLION (IMF DIRECTION OF TRADE APRIL 1978). THE TRADE AGREEMENT PROPOSES THAT TURKEY WILL EXPORT TO LIBYA NEXT YEAR AND THEREAFTER 520,000 TONS PER YEAR OF WHEAT, BARLEY AND FLOUR. HOWEVER, LIBYA'S TOTAL IMPORTS OF THESE ITEMS FROM ALL SOURCES IN 1976 (LATEST YEAR FOR WHICH DATA IS AVAILABLE) WERE 367,475 TONS, NONE OF IT FROM TURKEY, WITH A VALUE OF ABOUT \$86 MILLION. FURTHER, IT IS A PRIME GOAL OF LIBYAN DEVELOPMENT POLICY TO INCREASE GRAIN PRODUCTION AND REDUCE DEPENDENCE ON IMPORTS. THE PROPOSED 50,000

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TONS OF TURKISH FRUIT EXPORTS COMPARES WITH TOTAL NON-TROPICAL FRUIT IMPORTS INTO LIBYA IN 1976 OF 14,281 TONS VALUED AT \$6.8 MILLION. THE REMAINING ITEMS ON THE TURKISH EXPORT LIST, IF EXPORTED, WOULD HAVE BUT A TRIFLING EFFECT ON LIBYAN-TURKISH CLEARING ACCOUNT. FROM HERE IT LOOKS DOUBTFUL THAT TURKEY WOULD BE ABLE TO EXPORT ENOUGH TO LIBYA TO BALANCE THE MOOTED \$60 MILLION PER YEAR OIL

CREDIT, MUCH LESS THE \$114 MILLION PER YEAR AMORTIZATION OF THE MAXIMUM CREDIT PACKAGE DESCRIBED IN REFTEL.

2. WE ARE ALSO DUBIOUS ABOUT LIBYAN ABILITY TO DECIDE QUICKLY ON INVESTMENT IN OR FINANCING OF TURKISH INDUSTRIAL PROJECTS. LIBYA'S MANAGEMENT RESOURCES ARE BARELY SUFFICIENT TO MAKE NECESSARY STUDIES AND DECISIONS INVOLVING ITS OWN DEVELOPMENT PROJECTS, NOT TO MENTION IMPORTANT PROJECTS ABROAD.

3. IN OUR OPINION, LIBYANS WILL FULFILL THE TURKISH AGREEMENTS TO THE EXTENT IT SUITS THEIR PURPOSES AND MOODS OF THE MOMENT WITH LITTLE SENSE OF OBLIGATION TO KEEP THEIR WORD. IN MONEY MATTERS THE LIBYANS ARE OFTEN WASTEFUL AND RECKLESS, BUT ARE NOT DUMB. WE ASSUME THEY DO NOT EXPECT TURKEY TO BE ABLE TO FULLY REPAY DEBTS INCURRED FOR SUCH BASIC CONSUMABLE AS OIL BUT, WILL EXPECT CONTINUING TURKISH POLITICAL PAYOFFS ON MIDDLE EAST ISSUES AS COMPENSATION FOR WHAT COULD BE A PERMANENT DEBT.
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